

Message Text

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TAGS: ECON, EINV, ETRD, CG

SUBJ: PHARMACEUTICAL SECTOR

PASS COMMERCE

REF: STATE 018363; KINSHASA 11113; KINSHASA 10803

1. SUMMARY. THERE IS STILL NO ESTABLISHED PROCEDURE FOR HANDLING ACCOUNTS RECEIVABLE/PAYABLE IN NATIONALIZED PHARMACEUTICAL IMPORT SECTOR. NOR IS THERE CLEARLY CHARTED COURSE FOR COMPENSATION. US COMPANIES AND OTHERS ARE SEEKING TEMPORARY MODUS VIVENDI IN HOPE THAT SITUATION WILL BOTH CLARIFY AND IMPROVE. IT APPEARS UNLIKELY THAT WARNER-LAMBERT WILL GET PHARMACIES BACK, BUT PRODUCTION GOES ON. IMPORTS FOR COMMERCIAL PHARMACEUTICAL SECTOR STILL STALLED. END SUMMARY.

2. FOLLOWING IS INTENDED AS RESPONSE TO STATE REFTL, BUT ALSO GOES SOMEWHAT BEYOND SPECIFIC QUESTIONS TO PROVIDE GENERAL STATUS REPORT ON DEVELOPMENTS IN PHARMACEUTICAL SECTOR.

3. STATUS OF ACCOUNTS BOTH RECEIVABLE AND PAYABLE AS OF SEPTEMBER 1 HAS NEVER BEEN FULLY CLARIFIED. FACT
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THAT BANK ACCOUNTS OF IMPORTERS/DISTRIBUTORS WERE

NEITHER BLOCKED NOR TAKEN OVER IN CONJUNCTION WITH SECTOR NATIONALIZATION APPEARED TO INDICATE THAT INTENTION WAS TO HAVE FORMER COMPANIES PLAY SOME ROLE IN ACCOUNT SETTLEMENT. SOME COMPANIES HAVE PAID OUTSTANDING ACCOUNTS AS FAR AS FOREIGN EXCHANGE AVAILABILITIES PERMITTED. OTHER HAVE TAKEN STRICTLY WAIT-AND-SEE ATTITUDE. PAYMENTS ON OUTSTANDING ACCOUNTS RECEIVABLE OF IMPORTERS/DISTRIBUTORS WERE, IN SOME CASES, RECEIVED BY THEM AND CREDITED TO THEIR STILL OPEN ACCOUNTS AFTER SEPTEMBER 1. HOWEVER, NATIONALIZATION HAD EFFECT OF REDUCING LEVERAGE OF FORMER IMPORTER/DISTRIBUTORS UPON THEIR FORMER CUSTOMERS. THUS, MANY ACCOUNTS RECEIVABLE REMAIN UNSETTLED. INSTRUCTIONS ISSUED BY HVINHEALTH AT TIME OF NATIONALIZATION CALLED FOR CREATION OF LEGAL SERVICE TO SETTLE "OUTSTANDING LITIGATION" BETWEEN: PHARMACIES AND THIRD PARTIES; AND DEPOTS AND THIRD PARTIES. TO EMBASSY'S KNOWLEDGE THIS SERVICE HAS NOT BEEN CREATED AND EVEN ITS STATED PURPOSE REMAINS LESS THAN CLEAR. THERE AS YET NO RPT NO APPROVED PLAN FOR MODALITIES OF ACCOUNT SETTLEMENT.

4. US FIRMS, TOGETHER WITH ALL OTHERS, REMAIN DEPRIVED OF THEIR FORMER PHARMACEUTICAL STOCKS, AS WELL AS OF RIGHT TO IMPORT, STOCK OR DISTRIBUTE FURTHER SUCH ITEMS ON THEIR OWN ACCOUNT. WHILE IT ORIGINALLY SEEMED THAT DCMF WAS ALSO TAKING OVER REAL PROPERTY ASSOCIATED WITH IMPORTATION, STOCKING AND DISTRIBUTION, IT NOW APPEARS THAT ONLY RIGHT TO USE SUCH PROPERTY WILL ACCRUE TO DCMF UNTIL STATE ACQUIRES OWN FACILITIES. PROPERTY ITSELF WILL NOT RPT NOT CHANGE OWNERSHIP. THIS STRATEGIC ADVANCE TO THE REAR BY THE GOZ SHOULD REDUCE SUBSTANTIALLY COMPENSATION CLAIMS IT WILL ONE DAY BE PRESENTED. QUESTION OF PAYMENT OF RENT FOR PROPERTIES THUS USED HAS YET TO BE ADDRESSED BY GOZ. FIRMS REMAIN THEORETICALLY IN EXISTENCE IN THE CAPACITIES OF "SCIENTIFIC REPRESENTATION" AND, WHERE DESIRED, NORMAL COMMERCE IN NON-PHARMACEUTICAL PRODUCTS (A FEW WERE ALSO SELLING COSMETICS AND FOOD SUPPLEMENTS). DESPITE NEGATIVE ECONOMICS OF OPERATING UNDER SUCH CONDITIONS, VIRTUALLY ALL FIRMS ARE STAYING ON IN HOPE THAT ATTRACTIVE LIMITED OFFICIAL USE

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FORMULA FOR PARTICIPATING IN EVENTUAL COMMERCIAL PHARMACEUTICAL MARKETING SYSTEM CAN BE FOUND. MEANWHILE, SEVERAL HAVE FOUND WAYS TO TAKE ADVANTAGE OF SOUTH AFRICAN CREDITS OR OTHERWISE TO SUPPLY ZAIRE'S INSTITUTIONAL (AS OPPOSED TO COMMERCIAL) NEEDS FOR PHARMACEUTICALS.

5. CURRENT PROSPECTS FOR RETURN OF WARNER-LAMBERT'S

PIAF CHAIN OF PHARMACIES DO NOT APPEAR GOOD.

6. AT THIS TIME THERE APPEARS TO BE NO RPT NO GOZ INTENTION TO ALLOW PHARMACEUTICAL COMPANIES TO ASSUME EQUITY POSITION IN FORMER ASSETS. PHARMACEUTICAL IMPORTERS REMAIN FIRMLY EXCLUDED FROM LIBERALIZATION MEASURES REPORTED KINSHASA 11113.

7. THE DCMP IS SUPPOSED TO BE SUBDIVIDED INTO "DCMP INSTITUTIONEL" AND "DCMP COMMERCIAL". DCMP INSTITUTIONEL IS CURRENTLY FUNCTIONING AS AN ALTER EGO OF THE STATE HOSPITAL PROCUREMENT OFFICE, FOMECO. DCMP COMMERCIAL DOES NOT RPT NOT EXIST AT ALL. AFTER FAILURE OF NEGOTIATIONS WITH WARNER-LAMBERT AND STERLING FOR A MANAGEMENT CONTRACT, DR. CLOSE IS ATTEMPTING TO RECRUIT ON AN INDIVIDUAL BASIS A QUALIFIED STAFF TO SET UP AND RUN DCMP COMMERCIAL. CURRENT THINKING WOULD THEN POINT TO DCMP PERFORMING ITSELF ALL IMPORTING AND STOCKING OF PHARMACEUTICAL PRODUCTS. PHARMACIES (MOST OF WHICH WERE RETURNED TO THEIR FORMER OWNERS IN OCTOBER AND EARLY NOVEMBER, PRIOR TO THE GENERAL LIBERALIZATION) WOULD THEN BUY FROM DCMP. MEANWHILE, NO PRODUCTS ARE NOW FLOWING INTO THE COMMERCIAL SECTOR EXCEPT WARNER-LAMBERT'S AND OTHER LIMITED LOCAL PRODUCTION. WARNER-LAMBERT, SPECIA, CIBA-GEIGY, HOECLAT AND BAYER HAVE NOT RPT NOT FOUND GOZ OFFERS OF SPECIAL RIGHTS TO IMPORT (REPORTED KINSHASA 10803 AHD PREVIOUS) SUFFICIENTLY ATTRACTIVE TO ELICIT POSITIVE RESPONSE IN ABSENCE OF MOVEMENT ON COMPENSATION ISSUE. GOZ HEALTH AUTHORITIES SUPPOSED TO MEET WITH THESE FIVE FIRMS AGAIN DURING LAST WEEK OF JANUARY. IF RESULTS WARRANT, WE WILL REPORT.

8. CLAIMS FOR COMPENSATION IN SECTORS OTHER THAN LIMITED OFFICIAL USE

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PHARMACEUTICALS ARE NOW SUPPOSED TO BE INITIATED WITH THE STATE COMMISSIONER FOR PORTEFEUILLE, CITOYEN MAMBU. TO BEST OF EMBASSY'S KNOWLEDGE, THERE HAVE NOT YET BEEN ANY FORMAL CLAIMS FOR COMPENSATION PRESENTED TO THE GOZ IN THE PHARMACEUTICAL SECTOR. THUS, IN ADDITION TO NOT HAVING SPECIFIC GUIDELINES, WE ALSO HAVE NO PRECEDENT TO CITE. POSSIBLE ADDRESSES FOR SUCH CLAIMS ARE CITOYEN MAMBU, CITED ABOVE, OR STATE COMMISSIONER FOR PUBLIC HEALTH, CITOYEN NGUETE KIKHELA. WE WOULD RECOMMEND THAT ANYONE CONTEMPLATING SUCH A CLAIM CONTACT EMBASSY BEFORE SO DOING, FOR LATEST READING. PREDOMINANT DESIRE TO DATE OF ALL PARTIES HAS BEEN TO AVOID CREATING CONFRONTATION ATMOSPHERE. IN SECTORS OTHER THAN THE PHARMACEUTICAL, COMPENSATION CLAIMS SEEM HIGHLY UNLIKELY TO CAUSE DIFFICULTIES IN NEW "LIBERALIZED" ATMOSPHERE.

HOWEVER, WE NOTE THAT PHARMACEUTICAL SECTOR HAS BEEN AND CONTINUES TO BE HANDLED DIFFERENTLY AND IN DIFFERENT CHANNELS THAN OTHER SECTORS. PERSONALITIES INVOLVED HAVE MADE SN AND CONTINUE TO MAKE, US SOMEWHAT LESS CERTAIN OF OUR GROUND IN THESE CASES. WE HAVE, THEREFORE, BEEN ADVISING U.S. FIRMS TO MAKE THE DECISION WHETHER TO PRESENT A CLAIM ON A COMPANY-BY-COMPANY BASIS, DEPENDING UPON EACH COMPANY'S ASSESSMENT OF ITS OWN CIRCUMSTANCES AND RELATIONS WITH THE AUTHORITIES INVOLVED. WAITING TOO LONG COULD CREATE THE PRESUMPTION THAT ONLY NEGLIGIBLE DAMAGE HAD BEEN INCURRED. MOVING TOO QUICKLY OR FORCEFULLY COULD CAUSE THE GOZ TO REACT IN SUCH A WAY AS TO PRECLUDE FUTURE PARTICIPATION BY A GIVEN COMPANY IN A MARKET WHICH REMAINS VERY INTERESTING.

9. AS EVIDENCED BY MUCH OF ABOVE, PROGRESS TO DATE ON SETTING UP THE DCMF AND ESTABLISHING OPERATING PROCEDURES HAS VARIED BETWEEN SLOW AND IMPERCEPTIBLE. WE SEE NO REASON WHY CREATION OF THE MECHANICS OF PROCESSING COMPENSATION CLAIMS SHOULD BE ACCOMPLISHED ANY MORE EXPEDITIOUSLY. UNABLE TO BE MORE SPECIFIC.

10. FYI. PHARMACEUTICAL MANUFACTURERS ASSOCIATION HAS HAD REPRESENTATIVE IN TOWN COUPLE OF TIMES DURING LAST YEAR. AFTER MOST RECENT PMA VISIT LATE AUTUMN 1975, EMBOFF BROACHED SUBJECT OF PMA AND POSSIBLE USEFULNESS OF LIMITED OFFICIAL USE

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ESTABLISHING LOCAL CHAPTER TO DR. CLOSE. CLOSE REACTED THAT AT BEST IT WAS TOO EARLY AND IN GENERAL IT WAS QUESTIONABLE WHAT VALUE THIS WOULD HAVE FOR GOZ. SAID HE DID NOT WISH TO MEET WITH THEM AT THAT TIME. END FYI.

CUTLER

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